




INGENIO WORKING PAPER SERIES

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Working Paper N° 2012/11

# The Evolution Toward Vagueness Of Industrial District Concept And Its Impact On Regional Innovation Policy

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**Keywords:** industrial district policy; Veneto; Italia; innovation policy

**Abstract:** The paper discusses the development of the industrial district policy in Italy and the different roles of regions in its implementation, and provides an initial assessment of the relationship between regional districts and innovation policies.

First, we provide an overview of Italian national legislation on industrial districts since 1991 and the changes that have resulted. Next, we examine the evolution of industrial district policy in Veneto, in the context of the Italian framework. The regional government implemented its industrial district policy in the late 1990s and it has yielded some results which deserve attention.

Second, we look at the benefits and limitations of district policy governance in Veneto region and focus on the links between regional district and innovation policies. To achieve a first assessment of district preferences in terms of policy, the paper discusses the specific arrangements in five industrial districts in different sectors, and the support provided by regional government. Our findings show that innovation projects are of limited relevance in strategies of industrial districts.

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A recommendation for policy is that cluster initiatives should be aligned to the specific economic features of the territory. Problems arise when national governments and international organizations assume that ‘one size fits all’.

## **1 Introduction**

Firstly, we look at policies aimed at industrial districts in Italy. To study their implementation we take the case of the region of Veneto where the regional government developed explicit and long-term industrial district policy despite its declared preference for limited intervention in the market. This political position contrasts with the decisions taken in other regions of the so-called Third Italy, such as Emilia Romagna and Tuscany, which are regarded as more interventionist.

We analyse governance of the district policy taking five of Veneto’s industrial districts as units of observation. We show that there are some problems related to regional district policy governance and to its coherence with the innovation policy. Difficulties arise because of different strategies and interests pursued by district agents. We highlight the constraints of Italian district policy which tends to be designed as ‘one size fits all’ with no regard for the underlying heterogeneity in Italian clusters.

The paper is organized as follows. Section 2 reviews the contributions on industrial districts and clusters. Section 3 examines Italian industrial district policy. Section 4 discusses its implementation and effects in the region of Veneto. Section 5 provides a preliminary assessment of the relationship between district and innovation policies in this region. Section 6 presents some limitations of Italy’s industrial district policy and Section 7 offers some conclusions.

## 2 Industrial districts and clusters

The literature includes several studies on the economic implications of spatial agglomerations. The concepts underpinning these works are industrial districts and clusters.

Becattini (1979) develops the concept of industrial district in the 1970s, based on Marshall's (1925[1890]) work. Marshall argued that the economies of scale achieved by large firms could be realized by concentrations of small businesses located within a particular geographic area, specializing in different phases of production, and nurtured by local labour. Becattini (1990: 111) defines the industrial district as "a socio-economic entity that is characterized by the active presence of a community of people and a population of firms in a natural and historically limited area". In this perspective, industrial districts are populated by many small businesses, which, due to their location in a particular area, benefit from positive externalities such as specialized labour, expertise, knowledge and information, and social capital, all of which translate into improved competitiveness. The concept of industrial district includes a feeling of belonging and certain characteristics of the people working in it. This community of people, the businesses and the industrial atmosphere described by Marshall constitute the three main pillars of the industrial district. Becattini (1990) considers that companies acquire certain economic advantages by virtue of being located in an industrial district. Along the same lines, Dei Ottati (2006: 74) defines the district effect as:

“The set of competitive advantages derived from a strongly interconnected set of economies external to firms but internal to the district. These economies not only depend on the spatial concentration of productive activities, but also (and this is the hallmark of the industrial district) on the social environment in which these activities are integrated”.

This positive effect encourages small and medium enterprises to overcome size-related disadvantages by joining an industrial district (Galletto, 2008) in which they achieve more efficient resource utilization and more innovation. However, authors such as Pouder and St. John (1996) and Molina and Martinez (2009), suggest that the benefits of geographic proximity are limited.

A second approach to spatial agglomerations was proposed in 1990 by Porter who popularized the cluster concept in his "The Competitive Advantage of Nations".<sup>4</sup> Clusters are concentrations of competing and collaborating firms, usually from similar and complementary sectors, which interact among themselves and with support organizations. Companies in the same cluster can often share resources, and benefit from internal competition and labour flows among companies. This facilitates the transmission of knowledge and skills, and promotes competitiveness and growth (Munroe and Westwind 2007).

Industrial district and clusters have some common features and the two terms are often used interchangeably in the literature although it should be remembered that the starting points and scope of these concepts are different. The location of a cluster is the result of a strategic decision of firms, based on local advantages, while an industrial district tends to develop for historical reasons and is usually not based on a deliberate, entrepreneurial strategic choice (Molina, 2008).

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<sup>4</sup> There is a large literature on the relationship between territory and firms. Research on *high-tech* areas in the USA (Saxenian, 1994), *milieux innovateurs* (Camagni, 1994; Camagni and Maillat, 2006), *learning-regions* and *learning economies* (Lundvall and Johnson, 1994; Asheim, 1996; 1999; Maskell and Malmberg, 1999); Asheim et al., 2006b); Borrás and Tsagdis, 2008), regional systems of innovations (Braczyk, 1998; Cooke, 2002; 2004), are some examples.

### 3 Policy for industrial districts in Italy

Italy's industrial district policy was launched following the national law that was passed in 1991, and has been controversial. The law defined an industrial district as "an area characterized by a high territorial concentration of small firms with a particular productive specialization and a specific relationship between the firms and the resident population", reminiscent of Becattini's definition.<sup>5</sup> The law establishes the criteria for delimitating a district's geographic boundaries, although their implementation is the responsibility of the respective regions. A lack of national funding slowed the development of regional district policies while the rigid legal criteria gave rise to methodological problems in the identification of well-known districts like Sassuolo, Verona, Carrara, Castel Goffredo and Brenta (Fortis and Viesti, 2003; Fortis and Carminati, 2007a, 2007b).

The approval of several changes to the law caused additional problems and in 1997 the Italian government passed the so called contract-programme, allowing large firms and national or international groups located in industrial districts, to participate in district projects, which caused confusion in regional governments. Besides, the definition of innovative project under district policy was ambiguous and included a range of local development projects not particularly aligned with technological and organizational innovation in district firms.

The continuing implementation of this policy was interrupted in 1998 by the so-called Bassanini Act.<sup>6</sup> This transferred to the regions broad responsibilities for industry policy. In 1999, the criticisms levelled against the 1991 Act resulted in a new law on productive

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<sup>5</sup> Italian Law 317/91, modified by Law 140/1999.

<sup>6</sup> Italian Law 112 (1998).

activity,<sup>7</sup> and a revision of the criteria related to the delimitation of districts. Also, the concept of district was replaced by local production system (LPS), defined as an area of homogeneous production, characterized by a high concentration of firms, mainly small and medium sized enterprises (SME), and a particular internal organization (Federazione dei Distretti Italiani, 2010). LPS are not necessarily restricted to manufacturing, and the industrial district is regarded as an agglomeration with the features of high concentration of manufacturing firms and high level of specialization (Balestri et al., 2002). The new definition includes non-manufacturing ‘districts’ as LPS and has a smaller emphasis on SME as the main players.

Most Italian regions applied the new rules<sup>8</sup> on districts including tourism and agriculture districts. The changing conceptual process reached a new milestone in 2006. The Finance Act introduced another change in the form of productive district, defined as a group of firms, both geographically and functionally close, working cooperatively to increase their development and improve the efficiency of their organizational and productive processes. In 2007, a national rule was introduced which added to the confusion over industrial districts, newly defined according to their traditional features. Under this new national rule, there is an allocation of €50 million available as part funding for regional cluster projects, the first instance of national government providing economic support for industrial district policy.

Nevertheless, the zigzag of the Italian policy intensifies if we take in account that in the in the early years of the 2000s, national government introduced ‘technology’ districts as

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<sup>7</sup> Italian Law 140 (1999).

<sup>8</sup> E.g., after the new national law in 1999 Lombardy implemented ‘metadistricts’ based on aggregations of firms that belonged to the same economic sectors, but were located in non-contiguous regional areas. Also Veneto’s legislation changed in 2003 to allow ‘metadistricts’ and ‘filieres’.

part of a new policy designed to bring together the main scientific and technological resources in each Italian region. National and regional administrations jointly approve and fund these technology districts and the expectation is that eventually every region will have at least one.

### **3.1 ‘Terza Italia’ and industrial district policy**

Veneto is a singular case in the field of industrial district policy in the so-called ‘Terza Italia’.<sup>9</sup> Neither Emilia-Romagna nor Toscana have implemented a specific policy on clusters. Emilia-Romagna is the only Italian region that has refused to delimit its industrial districts based on its analysis of the weaknesses and contradictions in the national rules<sup>10</sup> and on the regional priorities. Toscana constructed its districts map and decided the formal composition of district representatives –the district committee– although with no repercussions for regional policy. The lack of a district policy in two of the three regions in the ‘Terza Italia’ is rather surprising since both are traditional supporters of left wing parties while Veneto has been a conspicuous base for conservative parties and has a weak tradition of intervention in economic issues.

The different position adopted towards district policy in Emilia-Romagna may be because, since the 1980s, this region has had to deal with several economic problems related to the need for SME to develop greater capacity to absorb complex technologies,

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<sup>9</sup> The so called ‘Terza Italia’ (Third Italy) refers to Italian regions industrialized after World War II, in which the main economic actors are SME. These regions (Emilia-Romagna, Toscana, Veneto) have some common economic features which are different from those of regions in the north of Italy considered pioneers of Italian development in strategic industrial sectors which often include large companies. ‘Terza Italia’ regions also differ from Southern Italian regions, which are characterized by being less developed, lower level manufacturing and requiring continuous public support. Agglomerations of firms organized in industrial districts are also a common feature of ‘Terza Italia’ regions.

<sup>10</sup> The methodology for identifying industrial districts takes no account of strong relationships among economic areas that are not geographically close. This applies to filieres.



and to the strong competition in international markets (Bellini, 1990). Service centres and other regional initiatives aimed at reducing SME costs were seen as insufficient, and the economic leadership in some districts changed with the emergence of large companies and holdings<sup>11</sup> and the transformation of traditional subcontractors into producers able to satisfy demand from big companies. In fact, the ‘new’ subcontractors are taking on all phases in the design and production of complex components. These changes are blurring the sectoral and territorial boundaries of productive activity (Russo et al. 2000a, 2000b).

In particular, the regional machinery sector of Emilia-Romagna faces the territorial features of canonical industrial districts because is located region wide. In addition, many leading Emilia-Romagna companies operate as integrators, managing networks within and outside the boundaries of industrial districts. Changes to the regional economic model induced a review of the role of the industrial district in the regional economy as a result of which the Emilia-Romagna regional government rejected the canonical industrial district and welcomed the LPS model because of its greater flexibility and capacity to include new actors, such as universities. The relocation of production phases abroad and an influx of migrant workers who do not identify with values attached to districts, have also influenced this focus on regional districts (Bianchi, 2003). The regional Minister for Productive Activity considers that the district model is succumbing to the new economic reality related to the global economy and the extent of the technological challenge (Campagnoli, 2005). There is a need for flexible production and

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<sup>11</sup> Several regional and, in some cases, multinational firms have undergone mergers and acquisitions. Note also that the declining number of micro-firms coincides with a greater presence of firms with 10 to 49 employees in a first phase of economic evolution, and, in a second, of firms with 100 to 500 employees. This suggests that less efficient firms have exited. The changes in the sizes of firms are partly the result of expansion in the mechanics ‘filiera’ compared to other manufacturing sectors (Rinaldi, 2005).

networks of medium sized firms and companies need to focus on international trade and new technological fields rather than niche markets.

In this phase of regional development is the filiere which has become the new regional target, being promoted by R&D and technology transfer support, human capital training, provision of financial resources for setting up firms, new logistic resources, use of trademarks, quality and technological and organizational platforms to increase firms' added value.<sup>12</sup>

### **3.2 The region of Veneto**

Veneto's industrial district policy is relatively recent since the identification of regional districts was only achieved in 1999 following the application of the national criteria (Messina, 2001). Because of poor performance, in 2003 a district law (LR 8/2003) was passed,<sup>13</sup> and was amended in 2006. This law and its amendment revokes the classification adopted in 1999 and bases identification of districts on the networking capacity of local stakeholders, particularly through agreements within districts and between districts and regional government. The law does not define the geographical boundaries of districts; these are proposed by district actors through a legal procedure which includes the following points (Gurisatti, 2005).

1. Self-organized and self-nominated districts apply for public recognition and commit to funding a percentage of proposals to the regional government to improve the district economy.

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<sup>12</sup> This framework includes programmes implemented by the region to foster networks of information and communication technology and energy networks, international exhibitions (including trade fairs and spaces for displaying products in airports) and sectors supported by local authorities, local chambers of commerce, universities, financial institutions, business and labour organizations.

<sup>13</sup> BUR number 36/2003.

2. The approval by district actors of an agreement supported by at least 80 firms and other private agents. This includes economic analysis of the district, its strengths, weaknesses, opportunities and threats, and its operational goals. The agreement is submitted to the regional government for approval and funding<sup>14</sup>.
3. In addition to “productive districts”, the name used by the region to refer to industrial districts, the law encourages aggregations of companies into ‘metadistricts’ (similar to *filière*).<sup>15</sup>
4. Regional government issues open calls for proposals for projects related to the economic improvement of districts. The public sector provides up to 40% of the budget for projects related to specific activities.
5. Projects to be supported by regional government are selected on the basis of their public/club good content.

Partial reform of this law occurred in 2006.<sup>16</sup> Table 1 presents the list of projects eligible under current legislation (2011).

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<sup>14</sup> The regional government administrative unit is the District Office, which receives from the districts the framework agreements on district targets and the concrete applications for support for specific projects. Previously, the agreement has to be reviewed by the provincial Chamber of Commerce and the provincial government. Subsidies are based on the EU minimis rules (up to €100,000 per company over 3 years).

<sup>15</sup> ‘Metadistricts’ (see fn. 6) need not be contiguous but include companies in the same *filière*. Veneto conceptualizes the ‘metadistrict’ as a new type of industrial district that includes knowledge production organizations and leading firms able to implement and disseminate new knowledge to the companies in their respective *filières*.

<sup>16</sup> Law 5/2006.

**Table 1. Topics for eligible projects included in industrial districts of the Region of Veneto**

Construction works on the environment
Manufacturing R&D and pre-competitive technological developments, technology transfer, knowledge and technology exchange
Computer and telematics services to stimulate interactions among firms
Database and economic intelligence
Exhibitions of machinery, equipment, prototypes and services and related training of
Marketing of innovative goods
Logistics services to support the district system
Energy efficiency and introduction of clean energies
<b>Other topics eligible for firm groups (1)</b>
Foreign based after-sales services centres
Prototype checking and laboratory testing
Manufacturing restructuring programmes to increase employment
Support for participation in European projects
(1) This includes R&D, logistics and energy

Source: Regional Laws of 2003 and 2006 and own preparation.

The district leaders are usually chosen from those organizations that have impelled the agreement: for instance, the Fashion Consortium (in the garment district of *Verona ProntoModa*) or the Boot Museum (in the ‘sport-system’ district of Montebelluna). The district committee established to discuss projects involves the leader organization and other associations and institutions (chambers of commerce, employer’s associations) of district supporters. This demonstrates the diversity of the private agents involved in Veneto’s districts.

### ***3.3 Veneto’s governance model***

Analysis of the governance in Veneto’s districts highlights some key points. First, regional government has renounced to predetermine district boundaries. This means it can avoid lobbying over geographical delimitations which frequently emerges to capture economic benefits for certain areas. Second, Veneto’s government has no implemented district committees of formal, homogeneous membership, unlike other Italian regions such as Tuscany. This means that are the agents involved in district agreements who decide the composition of committees according to a genuine interest. Third, district committee members approve the district programme of projects which implies the provision of funding to complement public support. Thus, with this district policy, the

government of Veneto gives room to private sector and restricts public interventions in line with the dominant ideology in the region.

## 4 Firm innovation and Veneto's district policy

### 4.1 Innovation and district agreements

The innovative nature of district agreements is reflected in its general goals. For example, the Montebelluna district agreement states that:

*'The core of our District Deal: to build the creative, technological and cultural infrastructure that enables our district to jump towards knowledge economy, increasing the value of immaterial assets endowed in goods and markets'*<sup>17</sup>

These ambitious –and ambiguous- goals are partially bounded by regional government calls and guidelines. Although they can partially influence the choice of projects, the district committees have room for manoeuvre in the decision process.

To obtain a quantitative assessment of regional district policy, we apply a preliminary classification of the projects in five of Veneto's districts. The 'sport-system' district of Montebelluna has achieved international prestige as a global production centre related to sky and mountain sports. Shoes Veneto and Shoes Verona are prestigious footwear districts. *VeronaModaPronto* specializes in apparel and Marble and Stone of Veneto produces construction and household goods.

We take as innovation projects those related to R&D and technology transfer; ICT-related activities, such as the creation of virtual marketplaces and production of

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<sup>17</sup> Rappresentante del Patto di Distretto (2006): *Patto per lo Sviluppo del Distretto dello Sportsystem Montebellunese. Presentato alla C.C.I.A.A. Treviso e alla Provincia di Treviso* (Framework Agreement for the Development of Montebelluna Sportsystem District, submitted to the Chamber of Commerce and Province of Treviso, p. 87).

customized software; economic intelligence to detect fashion trends; test laboratories and centres for developing product and process innovations; gaining access to non-traditional markets; training courses to improve human capital skills; and projects related to logistics - understood as extensions to the production process to enhance the efficiency of firms.

We analysed agreements conducted in the period 2006-2009, and projects in progress (2009-2011).<sup>18</sup> Regional support varies, but is always less than 40% of project budget. In the five districts studied (Table 2), technological innovation projects accounted for 37.3% of total funding, followed by commercial promotion projects (21.9%) and projects linked to facilities for district economic actors, such as office space and exhibition halls (19%). These projects account for nearly 80% of total support. The rest of projects were related to logistics, training, environment, ITC and economic intelligence. Any of them has exceeded 6%.

The analysis of individual districts shows that Montebelluna allocated the highest proportion of resources to innovation projects (about 50%), followed by Veneto footwear (42.3%), with Verona footwear and *VeronaProntoModa* accounting for 27% and 31%, respectively. The marble district just accounted for 15.4%. The exclusion of investments in buildings and other collective facilities does not introduce major changes.

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<sup>18</sup> The figures generally correspond to actual expenditure of district projects, except for the current period where we use the project budget initially approved.

**Table 2. Types of projects developed or foreseen in five Industrial Districts in Veneto (% of the district budget)**

District	Innovation Projects	Trading and Telecommunications	Environment	Logistics	Training	Building of Centres of Common Facilities	Economic Intelligence	ITC	Total
Montebelluna sport-system	49.3	32.8	7.7	5.1	5.1	0.0	0.0	0.0	<b>100.0</b>
Veneto footwear	42.3	16.0	6.6	4.9	0.0	27.3	0.9	2.0	<b>100.0</b>
Verona footwear	27.3	22.4	0.0	10.2	11.3	10.7	8.3	9.8	<b>100.0</b>
Marble and stone of Veneto	15.4	38.4	0.0	4.5	13.6	27.2	0.0	0.9	<b>100.0</b>
VeronaProntoModa district (clothing)	31.0	33.6	0.0	8.0	13.3	0.0	14.2	0.0	<b>100.0</b>
<b>Total 5 districts</b>	<b>37.3</b>	<b>21.9</b>	<b>4.3</b>	<b>6.2</b>	<b>4.8</b>	<b>18.9</b>	<b>3.7</b>	<b>3.0</b>	<b>100.0</b>

Source: Development Agreements of districts and own preparation

Some of the projects in the three years 2009-2011 include training projects, accounting for 13% to 19% of the total budget in three out of the five districts. This suggests a scarcity of qualified workers in the local labour markets.

The figures in Table 2 indicate that innovation projects are of limited importance in the districts analysed (37.3% of budget on average), showing poor links between district and innovation policies, although Montebelluna, as expected, displays a fairly balanced distribution of resources due to its higher technological level.

## **5 A first assessment of Veneto district policy**

### ***5.1 Policy design and implementation***

Several features of Veneto's district policy have been criticized. First, the regulations permit flexible governance, and this may involve temporary, opportunistic aggregations of firms and organizations formed in order to get public resources. Second, some regional districts are artificial. For instance, infrastructures, such as regional airports, are considered 'logistics districts' by government. Third, similar types of projects in various districts would seem to indicate that regional calls for projects reduces the autonomy of district committee decisions more might be expected.

There are also problems. District actors in Veneto seem to prefer incentives for individual companies to participate in projects related to systemic features of districts (Gurisatti, 2006). Local support for district agreements is scarce in most agglomerations except Montebelluna (Messina and Boggian, 2005). As in Italy the representation of economic interests shows a rich plurality of alternatives, the leadership exercised by an employer's organization in the process for implementing district policy may be used to reduce the links of firms with other local competing associations and organizations.

Another problem is related to the achievement of consensus when the district committee tries to reach agreements. To fix priorities become difficult because of contradictory firm strategies and opportunities, lack of trust over the sharing of sensitive information and different levels of economic resources among firms involved in the district programme funding.

Lack of innovation is also a problem in districts. Many district committees favour projects that will not be considered controversial by government. Also, differences in the technological levels of firms do not stimulate their widespread participation in more innovative projects. Many final projects have low innovation content, which is the penalty for including a large number of firms. For instance, attendance at fairs and establishing permanent show-rooms in new markets are "popular" projects because they fit expectations from most firms. Similar is the attitude of firms when projects are related to market research, knowledge or information about consumer trends, business intelligence 'observatories', building of common infrastructures for firms and initiatives related to environmental requirements, energy efficiency, raw materials procurement, standardized training and web sites.

As result, these types of projects are also favoured by district leaders because they can be used to retain or gain affiliates and to show an image of success and appropriate



governance. In this way, district agreements may provide local organizations and also regional administration with legitimacy and prestige. However, 'popular projects' can have a negative influence on the introduction of more radical innovative projects in district agreements.

However, there are some positive aspects to Veneto's policy. First, although controversial, the district delimitation follows a pragmatic approach: government does not discuss on district boundaries; it just recognises to those who want to work together as members of a district. As a result, the district is built following a bottom-up process, taking account of the points of view of economic actors concerned. This prevents the emergence of districts without sufficient commitment to developing joint projects.

Second, Veneto's rules have obviated the bureaucratic and political problems founded in other regions where district committees include a wide delegation of local, provincial and other government representatives. Veneto prefers structures closer to economic private actors and effective at diagnosis, decision making, compromise and integration of district firms.<sup>19</sup>.

These aspects of Veneto's policy may enhance collaboration and prevent local individualism of regional entrepreneurs. However, it does not guarantee the spread and updating of knowledge necessary for strengthening technological innovation in industrial districts.

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<sup>19</sup> A shared interest circumvents the undesired consequences observed in committees designed top-down, with predetermined and rigid membership, in particular, if committees have to devise ways to interact with individual firms and firm associations to reach agreement on specific projects.

## **6 General limitations of Italian district policy: Policy that fits the reality or or shaping the reality to fit the policy?**

Regional district policy in Italy is diverse. The regions examined are examples. The diversity reflects different policy preferences, but also differences in the evolution of district morphology. In fact, in 1991, there were already several different types of districts, powerful ones coexisting with weaker ones. Industrial districts are dynamic economic phenomena subject to transformation and evolution. The territorial and sectoral differences among districts and their asymmetric evolution have hampered the implementation of a national policy able to recognize the complexity of industrial districts. To illustrate the opposition to industrial district policy, business and scientific critics point to the weaknesses in the Italian model of innovation, –a model ‘without R&D’, overly based on districts, and inconsistent with a globalized economy that includes developed countries with knowledge economies nourished by research and high quality human capital.

The regional approaches studied in this paper confirm the complexity of the real world and highlight the problems related to district policy and its governance, including conflicting interests coexisting in the same district over time. The change in the morphology of district firms since the 1980s, has led to changes in the size of companies, in their hierarchies and internal capabilities. It is understandable that, under the new circumstances, the firms of districts display different preferences for policy tools, according to their particular strengths and weaknesses.

District and cluster policy has attracted the attention of various international agencies and countries, and the European Commission. Although the model of economic agglomeration that the district represents does not necessarily coincide with the cluster,

the lesson provided by the cases in this paper is that there is not only one single economic ecosystem nor a synchronized economic change. We need new taxonomies and policies that fit the reality, rather than trying to make reality fit the policy. Developing countries that adopt Western policy models should take account of the fact that simplification of the policy may be the first step towards policy failure.

## **7 Conclusions**

The paper discusses: first, the development of industrial district policy in Italy and the different roles of regions in its implementation; and second, assesses the relationship between district and innovation policies.

To achieve the first aim, we compared Veneto with Emilia-Romagna, both in the so-called Third Italy. Emilia-Romagna has mostly rejected industrial district policy despite a wide presence of firm agglomerations as Veneto, which has strongly embraced this policy.

We studied two main aspects of Veneto's district policy: governance and its relationship with innovation policy. District policy governance is less rigid in Veneto than in other Italian regions, and allows flexible boundaries of districts and different kind of membership in district committees. Proposals related to strategy and projects must be approved by the district committees before submission to regional government. Usually, one committee member plays the role of district leader and encourages the participation of other agents. However, competition and lack of trust among district members can reduce the intensity of cooperation.

To study the relationship between district and innovation policy we analysed five regional districts in Veneto including the 'menu' of policy tools and the unequal distribution of innovation related projects. Although some differences may be due to the

sector specificities of the district, others would seem to be the consequence of the heterogeneity of strategies and priorities both within firms and within organizations. Over time these has led to the disappearance of the homogeneity suggested in the literature on districts. Neither district nor innovation policies seem to be coordinated.

This paper should contribute to a better understanding of the development of industrial district policy in Italy and its relation with various regional approaches. However, our investigation is limited to the study of one, though relevant, still particular region. The results of this study point to the need for a deeper analysis of district idiosyncrasies to inform policy. As a corollary, accepting the existence of plurality implies that the canonical district model might require some adaptation to match current district transformations. This could provide a topic for future research.

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